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GENEVA PASS TO USG WTO DELEGATION  
EEB FOR DAS CHRIS MOORE  
EEB/TPP/MTA FOR BILL CRAFT AND CHEVER VOLTMER  
PASS NSC FOR DPRICE, MSMART  
PASS USTR FOR KATHERINE DUCKWORTH AND MARY SULLIVAN  
PASS FED BOARD OF GOVERNORS FOR PATRICE ROBITAILLE  
TREASURY FOR NLEE AND LTRAN  
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E.O. 12958: N/A  
TAGS: [ETRD](#) [WTRO](#) [PREL](#) [AR](#)  
SUBJECT: ARGENTINA: DOHA NAMA TEXT UNACCEPTABLE AS BASIS FOR  
NEGOTIATION

Ref: BUENOS AIRES 1363

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Summary  
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¶1. (SBU) The GoA views the current Doha Non-Agricultural Market Access (NAMA) Modalities text presented by NAMA Committee Chair Stevenson wholly "unacceptable as a basis for negotiations" according to senior Argentine trade officials. They argue it fails to reflect the views of the NAMA 11, a developing economy group that includes Argentina, Brazil and India. The GoA plans to make this point firmly during July 26-27 discussions in Geneva. A key Foreign Ministry official offered that a way to move forward in Geneva would be to have WTO Director General Lamy publicly "takes note" of NAMA 11 concerns expressed during the negotiating session, pledge to have them incorporated into a revised text, and declare that current negotiations will remain open in "permanent session" pending further discussion of a revised NAMA Modalities text in September.

¶2. (SBU) Our GoA Foreign Ministry interlocutors contrast the unacceptable NAMA Modalities text with the Agriculture Modalities text which they say fairly represents all views. The NAMA 11's Swiss 35 coefficient proposal would, according to the GoA, result in a maximum Mercosur bound rates of 17% and a decrease in applied rates for 25% of Argentine tariff lines that account for 37% of Argentine import value. The Foreign Ministry emphasized that, while the NAMA text's 19 - 23 Swiss coefficient is politically unacceptable to Argentina's domestic constituencies ("The President would fire me," declared the Foreign Ministry's top trade official), the NAMA 11's Swiss 35 counter-proposal should not be taken as a final take-it-or-leave-it option. Rather it should be acknowledged and appreciated in Geneva for the significant impact it will have on currently applied Argentine tariffs. Separately, the EU Ambassador

said he thinks the Argentines could probably live with a Swiss 30 coefficient but they will not accept the 19 - 23 range in the current text. End Summary

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NAMA Modalities Text Excludes NAMA 11 Concerns  
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13. (SBU) Ambassador and Econ Counselor met July 25 with Nestor Stancanelli, Ambassador and Director of the Foreign Ministry's International Economic Negotiations Directorate, and with Minister Luis Niscoveros, Director of Multilateral Economic Negotiations to follow-up on Argentina's position in upcoming Geneva Doha talks this week. This conversation followed the Ambassador's July 24 phone conversation with Deputy Foreign Minister Roberto Garcia Moritan urging cooperation in Geneva. According to Stancanelli, the NAMA Modalities draft has been presented by NAMA Committee Chair Stevenson as a "final outcome" fait accompli rather than as a starting point for further negotiations, wholly disregarding ongoing discussion with NAMA 11 members. The NAMA 11 represents the largest single developing country group in terms of consolidated trade and GDP, Stancanelli said, and their voice must be acknowledged.

14. (SBU) Stancanelli called Stevenson neither a fair nor a helpful NAMA Committee chair/interlocutor for tabling this one-sided text, adding that this is also the WTO Secretariat's thinking expressed during private discussions in Geneva last week. The current NAMA Modalities text, he said, stands in stark contrast to the Agricultural Modalities text: While there remains "much to change and correct" in the Agriculture text, especially vis a vis the EU's positions, Stancanelli commended this text as reflecting input from all of WTO members and so is a basis to keep negotiating.

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NAMA 11 Proposal "Ambitious and Aggressive"  
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15. (SBU) The NAMA Chair's proposed 19 - 23 Swiss coefficient ceiling ignores NAMA country realities and sensitivities, Stancanelli said. The NAMA 11's Swiss 35 coefficient counter-proposal will result in a 46.7% cut in overall NAMA bound rates and a slightly larger 48% cut in bound rates for Mercosur members. Beyond mere water cuts, the Swiss 35 proposal would eventually result in a maximum Mercosur bound rates of 17% and a decrease in applied rates for 25% of Argentine tariff lines that account for 37% of Argentine import value.

16. (SBU) Stancanelli emphasized that the Swiss 35 proposal should not be taken as a final take-it-or-leave it option, but rather should be appreciated for the significant impact it will have on currently applied Argentine tariffs. He added that U.S. foreign direct investors in Argentina (e.g. the auto sector's Ford and GM) have optimized regional production to benefit from Mercosur common external tariff and would be hurt by NAMA tariff cuts, along with Argentine industry. The common threat to Argentine and U.S. interests here, he offered, comes from China and others, with Chinese imports to Argentina up 45% over the last year alone.

17. (SBU) On Paragraph 7 developing country flexibilities, Stancanelli said Argentina would opt for the second option which allows for the outright exclusion of a percentage of tariff lines whose total value does not exceed a fixed percentage of non-agricultural imports. He called the 5% of tariff lines and 5% of total value of non-agricultural imports in the NAMA Modalities text wholly inadequate to protect sensitive Argentine production of automobiles, textiles, toys, footwear and some chemical and petrochemical products. Together, he said, these account for a substantially higher percentage of tariff lines and roughly 13-15% of the volume of Argentina's trade.

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Domestic Political Context: Swiss 19 - 23 "Impossible"  
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18. (SBU) While the Hong Kong Declaration's Para 24 requires "comparable levels of ambition" in agricultural and NAMA tariff cuts, Stancanelli said, proposed agricultural cuts, with so many

non-transparent conditions/exceptions, are hardly comparable to proposed NAMA reduction levels. It is important for developed country interlocutors to understand, he said, that the NAMA Chair's proposed Swiss 19 coefficient implies a 60% cut in Argentine bound rates - a level politically impossible to accommodate today in Argentina. In contrast, the net 46.7% cut in overall NAMA bound rates implied by the NAMA 11's Swiss 35 proposal is doable in a domestic political context. This considerable drop in NAMA tariffs should be celebrated -- not attacked -- by developed country WTO members, Stancanelli concluded, and at a minimum this point of view must be reflected in the NAMA text in order to move forward. Stancanelli admitted that there remains some differences on Geneva negotiating tactics among NAMA 11 members, but emphasized again that it is "impossible" for Argentina to accept the current NAMA draft text as a basis for negotiations.

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Way Forward?  
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¶9. (SBU) Argentina wants negotiations to continue, Stancanelli said, and wants to avoid a drama in Geneva talks this week. However, it will have to state at the meeting that the current NAMA language is "unacceptable as a basis for negotiations." There is no/no GoA flexibility on this, he emphasized. While not all NAMA 11 members will take such a hard-line position, he said, Argentina assuredly will. He reasoned that, if the NAMA Modalities document is accepted as it stands, the nature of WTO negotiations will give it both weight and inertia that will make it difficult to significantly modify in future discussions.

¶10. (SBU) Stancanelli offered that a way forward would be to have Director General Lamy publicly "takes note" of NAMA 11 concerns expressed during the session, pledge to have them incorporated into a revised draft NAMA Modalities text, and declare that the current session will remain open in "permanent session" pending further discussion of a revised NAMA Modalities draft in September.

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EU Ambassador's Views  
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¶11. (SBU) Ambassador spoke separately with the EC Ambassador who noted that, in an upcoming lunch of all EU ambassadors with Deputy Foreign Minister Garcia Moritan, they would press for Argentina to accept the NAMA text as a basis for negotiation and point out that Argentina has a lot to lose if the agricultural text does not move forward because NAMA is stuck. However, the EC ambassador was not optimistic. He said the GoA could probably live with a Swiss 30 coefficient eventually, but will likely not accept the range in the current text. He concluded that newly appointed GoA Economy Minister Peirano will likely not be helpful; he is in the camp of those who believe strongly in protecting local industry.

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Trade Under-Secretary Chiaradia  
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¶12. (SBU) MFA Undersecretary Alfredo Chiaradia (Assistant Secretary-equivalent) called Ambassador the morning of July 26 on

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his return to the country. He said regarding the NAMA text "there are some things we cannot go beyond politically." "While Lamy and Mandelson may want an agreement at all costs, Argentina can't be as flexible. If I were to go the President with an accord that includes higher than 50% (NAMA) tariff cuts, I would be fired," he concluded. "We want an agreement, but it needs to be reasonable."

¶13. (U) To see more Buenos Aires reporting, visit our classified website at: <http://www.state.sgov.gov/p/wha/buenosaires>.

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